

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 OPIC-03 L-03 TRSE-00
OMB-01 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01
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FM AMEMBASSY CAIRO
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INFO AMEMBASSY ABU DHABI
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E.O. 11652: N/A
TAGS: EINV, EIND, EG, MILI
SUBJECT: AMERICAN MOTORS CORP JOINT VENTURE WITH ARAB INDUSTRIAL
ORGANIZATION

SUMMARY. AMERICAN MOTORS CORP. AND ARAB INDUSTRIAL ORGANIZATION
ARE MOVING AHEAD ON PLANS TO ESTABLISH JOINT VENTURE PLANT IN
EGYPT TO ASSEMBLE "JEEPS", STATION WAGONS, AND SMALL TRUCKS.
AMC REP SAID FINAL AGREEMENT EXPECTED BE SIGNED IN JULY, WITH
CONSTRUCTION TIME ESTIMATED AT ABOUT ONE YEAR. AT CAPACITY,
PLANT WILL PRODUCE SOME 10,000 VEHICLES PER YEAR. END SUMMARY.

2. AMERICAN MOTORS CORP. (AMC) REP, JEFFREY TRIMMER TOLD US,
JUNE 22 THAT COMPANY IS MOVING AHEAD WITH PLANS FOR JOINT VEN-
TURE WITH ARAB INDUSTRIAL ORGANIZATION (AIO) TO ASSEMBLE "JEEPS",
STATION WAGONS, AND SMALL TRUCKS. ENTERPRISE IS TO HAVE EQUITY
CAPITAL OF \$6 MILLION, WITH AIO HAVING 51 PERCENT SHARE AND AMC
49 PERCENT.

3. TRIMMER, IN TOWN FOR FURTHER NEGOTIATIONS, SAID
FINAL AGREEMENT IS EXPECTED BE APPROVED BY AIO BOARD
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OF DIRECTORS IN EARLY JULY AND AMC OFFICIALS WILL
ARRIVE IN CAIRO SHORTLY THEREAFTER TO SIGN. VENTURE
INTENDS SEEK SPECIAL LEGISLATION, SIMILAR IN
CONCEPT TO THAT ENACTED FOR SUMED PIPELINE, UNDER
WHICH IT WILL OPERATE IN EGYPT.

4. AFTER CONSIDERABLE TIME SPENT IN PAST YEAR ON

SITE SELECTION PROCESS (LOCATION IN QATAR AND SITE IN EGYPT NEAR ALEXANDRIA HAD BEEN CONSIDERED), AIO DECIDED ABOUT MONTH AGO TO BUILD PLANT AT SITE ON CAIRO-SUEZ ROAD, NOT FAR FROM CAIRO AIRPORT, LOCATION WHICH HAS ROAD AND RAIL ACCESS TO CANAL PORTS. AMC THINKS SITE SATISFACTORY, AND HAS BEGUN DISCUSSIONS WITH FIRMS WHICH WILL OVERSEE CONSTRUCTION AND SUPERVISE INSTALLATION OF EQUIPMENT. ESTIMATED CONSTRUCTION TIME IS TWELVE MONTHS.

5. AT FULL CAPACITY, PLANT IS EXPECTED TO ASSEMBLE SOME 10,000 VEHICLES PER YEAR FROM COMPLETELY KNOCKED DOWN KITS SHIPPED IN FROM U.S. INITIAL SALES WILL BE TO AIO ITSELF (PRIMARILY FOR USE BY EGYPTIAN MILITARY, SINCE SAUDI ARABIA, FOR EXAMPLE, IS EXPECTED TO CONTINUE TO BUY MORE SOPHISTICATED VERSIONS OF VEHICLES DIRECTLY FROM U.S.) OTHER GOVERNMENT AGENCIES AS WELL AS PRIVATE SECTOR PURCHASERS - IN EGYPT AND ELSEWHERE IN ARAB WORLD- ARE ALSO THOUGHT TO REPRESENT A SUBSTANTIAL POTENTIAL MARKET. ACCORDING TRIMMER, JOINT VENTURE WILL HAVE EXCLUSIVE MARKETING RIGHTS FOR ALL AMC PRODUCTS IN THE AIO COUNTRIES.

6. ASKED ABOUT HIS OPINION OF AIO, TRIMMER SAID IT APPEARED TO HAVE IMPROVED MARKEDLY IN ORGANIZATION AND LIMITED OFFICIAL USE

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STAFFING IN PAST YEAR OR SO ALTHOUGH A NUMBER OF ADMINISTRATIVE PROBLEMS WERE STILL EVIDENT. HE COMMENTED FAVORABLY ON ATTENTION AIO WAS DEVOTING TO IMPROVING TRAINING GIVEN TO EMPLOYEES AT ALL LEVELS.

7. COMMENT: ALTHOUGH AMC JOINT VENTURE IS BEING SET UP UNDER RATHER SPECIAL CIRCUMSTANCES, AND WILL NOT BE WITHIN FRAMEWORK OF LAW 43, SUCCESSFUL LAUNCHING OF SUCH AN OPERATION COULD BE MAJOR EVENT IN CONTINUING SAGA OF U.S. INVESTMENT IN EGYPT, AND SHOULD PROVIDE SOME ENCOURAGEMENT TO OTHER PROSPECTIVE INVESTORS.

8. ALTHOUGH QUESTION OF U.S. EXPORT LICENSES DID NOT COME UP IN DISCUSSION, WE ASSUME AMC HAS TAKEN CARE OF REQUIREMENTS, SINCE PROJECT IS SO FAR ALONG.
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